

Message Text

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ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 EB-03 SP-02 INR-05 CIAE-00 NSC-05
NSCE-00 L-01 H-01 TRSE-00 /039 W
-----101101Z 098363 /23-12

R 091413Z MAR 77
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 7465
INFO AMEMBASSY DAMASCUS
AMEMBASSY JIDDA

C O N F I D E N T I A L KUWAIT 1277

LIMDIS

E.O. 11652: GDS
TAGS: ETRD, PFOR, KU
SUBJECT: ARAB BOYCOTT

REF: (A) KUWAIT 1148, (B) STATE 49123.

1. AT MARCH 8 MEETING WITH FONMIN UNDERSECRETARY RASHID A. AL-RASHID I MENTIONED MY EARLIER MEETING WITH POLITICAL DIRECTOR ABDUL SAMAD ON BOYCOTT QUESTIONS (REF A) DURING HIS ABSENCE ON TRIP TO RIYADH. A RATHER INCONCLUSIVE DISCUSSION ENSUED WHICH WAS MARKED BY OBVIOUS LACK OF COMPREHENSION ON AL-RASHID'S PART OF ASPECTS OF ARAB BOYCOTT WHICH ARE UNACCEPTABLE TO USG AND POSE PROBLEMS FOR AA FIRMS.

2. DURING COURSE OF DISCUSSION I INDICATED THAT, WHILE OPPOSED TO BOYCOTTS AGAINST FRIENDLY COUNTRIES, USG UNDERSTOOD SOVEREIGN RIGHT OF STATES TO INSTITUTE TRADE REGULATPVNS, INCLUDING BOYCOTT. HOWEVER, I EXPLAINED THAT USG OBJECTED TO PROCEDURES FOR APPLICATION OF SUCH BOYCOTTS WHICH WERE DESIGNED TO REQUIRE US FIRMS TO ENFORCE BOYCOTT ON BEHALF OF BOYCOTTING NATION. I DISCUSSED QUESTION OF POSITIVE AND NEGATIVE CERTIFICATIONS AND ASKED WHETHER KUWAIT HAD NOW
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ACCEPTED POSITIVE CERTIFICATIONS, AS HAD SAUDIS ACCORDING TO SECRETARY VANCE'S BOYCOTT STATEMENT TO SENATE FINANCE SUBCOMMITTEE. AL-RASHID OBVIOUSLY DID NOT UNDERSTAND TECHNICALITIES INVOLVED AND PROMPTLY LAUNCHED INTO USUAL DESCRIPTION OF ARAB ATTITUDE RE BOYCOTT WHICH DOES NOT BEAR REPEATING HERE. ALTHOUGH I TRIED TO EXPLAIN OUR OBJECTIONS TO BOYCOTT PROCEDURES IN SIMPLE TERMS, PARTICULARLY AS THEY

INVOLVE SECONDARY AND TERRIORY BOYCOTT ASPECTS, AL-RASHID
FAILED TO GRASP POINTS I WAS TRYING TO MAKE AND EVENTUALLY
WE SWITCHED TO ANOTHER SUBJECT.

3. CONVERSATIONS WE HAVE HELD WITH VARIOUS KUWAITI BUSINESS-
MENT HAVE ALSO DEMONSTRATED THEIR ABSENCE OF COMPREHENSION OF
BOYCOTT TECHNICALITIES. WE HAVE NOT BEEN ABLE TO OBTAIN
ANY OFFICIAL CONFIGGATION OF AMBASSADOR JAFFER'S REPORT THAT
POSITIVE CERTIFICATES ARE NOW ACCEPTABLE IN KUWAIT (REF B).
HOWEVER, I HAVE FOUND OUT THAT THE KOC HAS SHIFTED FROM
NEGATIVE TO POSITIVE CERTIFICATES WHICH ARE TO READ AS
FOLLOWS: "WE CERTIFY THAT THESE GOODS ARE OF NATIONAL
ORIGIN OF (THE COUNTRY OF EXPORT TO BE MENTIONED) AND DO NOT
INSPADE ANY FOREIGN MATERIAL OR WORK AND ARE NOT A PRODUCT
OF A BOYCOTTED COUNTRY." LAST CLAUSE OBVIOUSLY VITIATES ANY
FAVORABLE EFFECT OF POSITIVE CERTIFICATES. ACCORDING TO
UNFORMATION RECEIVED FROM A KOC AMERICAN SUPERVISOR, THIS
WORDING WAS APPARENTLY SUGGESTED BY HPE "ARAB-AMERICAN
CHAMBER OF COMMERCE IN NEW YORK" EXCEPT FOR THE LAST
CLAUSE WHICH WAS ADDED LOCALLY. LOCAL BANKS ARE UNAWARE OF
ANY APPROVAL TO USE POSITIVE CERTIFICATION, AND ONE AMERICAN
MANAGER OF A KUWAIT BANK REPORTED THAT AN IMPORTANT
US FIRM REFUSED TO UNDERTAKE A LARGE AIR-CONDITIONING CONTRACT
BECAUSE THE BANK'S LETTER OF CREDIT CONTAINED A REQUIREMENT
FOR A NEGATIVE CERTIFICATION.

4. COMMENT: GIVEN BREAKTHROUGH ACHIEVED IN SAUDI ARABIA
AND GENERAL LACK OF COMPREHENSION OF PROCEDURAL PROBLEMS
WITH BOYCOTT AT UPPER MINISTERIAL LEVELS IN GVF, I WONDER
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WHETHER IT MIGHT NOW BE APPROPRIATE TO DEAL DIRECTLY WITH THE
LOCAL ARAB BOYCOTT OFFICE IN AN EFFORT TO OVERCOME CURRENT
RAPROCEDURAL OBSTACLES TO US TRADE IN CASES WHERE LITTLE
RELEVANCE TO BOYCOTT EXISTS. SUCH AN APPROACH COULD BE
UNDERTAKEN AT A TECHNICAL LEVEL ON A LOW-KEY BASIS WITH THE
ESSENTIAL AIM OF REMOVING OBJECTIONABLE FEATURES WHICH RELATE
TO SECONDARY AND TERTIARY BOYCOTT ASPECTS. I WOULD APPRECIATE
HEARING DEPT'S REACTION AND ANY COMMENT ON THIS SUBJECT.
MAESTRONE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS, BOYCOTTS
Control Number: n/a
Copy: SINGLE
Sent Date: 09-Mar-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977KUWAIT01277
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770082-0610
Format: TEL
From: KUWAIT
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770378/aaaacqyp.tel
Line Count: 106
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4b615ebb-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 77 KUWAIT 1148, 77 STATE 49123
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 21-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3163953
Secure: OPEN
Status: NATIVE
Subject: ARAB BOYCOTT
TAGS: ETRD, PFOR, KU, XF
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/4b615ebb-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009